



THOMAS M. MCMAHON, MAYOR

Friday, September 30, 2011

Mayor's 2012 Budget Message to City Council

Today, consistent with my obligations under the City of Reading's Home Rule Charter, I am submitting my administration's preliminary budget plan for 2012. As you are aware, Reading, like most of our counterparts across the Commonwealth of Pennsylvania, is facing significant financial challenges which will force difficult choices.

Our 2012 budget plan attempts to balance the need to provide basic government services as efficiently and effectively as possible, while being cognizant of the difficult economic environment and the struggles of many of our citizens.

General Fund Expenditures

Highlights of the general fund operating budget:

- The 2012 general fund operating budget proposes expenditures of \$74.4 million, an increase of 3.39% from the 2011 budget of \$72.0 million. Of the \$2.4 million increase, \$1.14 million is attributed to an increase in pension obligations.
- After the transfer of 78 positions to the Reading Area Water Authority, the 2012 general fund operating plan includes 604 full-time employees, compared to 636 in 2011 and 660 in 2010. When I took office in January, 2004, the city had 739 full-time employees.
- Public safety budgets are protected. The Recovery Plan requires a reduction in police personnel by 10 positions in 2012. The budget also supports a new Fire Training Division.
- The budget reflects the major strategic focus of improving the quality of housing stock in the City of Reading.
- The budget provides substantial financial support for the new Recreation Commission, a joint endeavor of the City and the Reading School District.
- The 2012 operating plan will create 14 new positions as we take over the collection of recycling collection in the City, rather than contracting for this service from a private hauler. These costs will be offset by user fees, and we propose reductions in fees for both trash collection and recycling in 2012.

General Fund Revenues

As required by the Home Rule Charter, general fund revenue and expenditures are in balance, with projected receipts of \$74.4 million. Key revenue highlights include:

- The preliminary budget plan includes a 20.4 percent increase in property taxes, no increase in the real estate transfer tax, and a reduction in the earned income tax for residents and commuters. We should work hard in our upcoming budget deliberations to find a way to eliminate the need for even a small increase in property taxes.
- For 2012, we anticipate a 27 percent reduction in budgeted real estate transfer tax receipts, reflecting adverse conditions in the housing market.
- As required by the Act 47 Municipal Recovery Plan, in 2012 the Reading Area Water Authority's transfer obligation is projected to increase by \$200,000 to \$4.42 million.
- Consistent with the Recovery Plan guidelines for collective bargaining, employee contributions to health insurance premiums will increase from \$872,000 in 2011 to \$2,348,476 in 2012.

We continue to make good progress in stabilizing municipal finances, improving fiscal operations, implementing more robust financial planning and cash flow forecasting, and creating efficiencies wherever possible.

Local officials, Chambers of Commerce across the Commonwealth, and the Pennsylvania League of Cities and Municipalities continue to work with state officials to address critical issues affecting municipalities, including having greater flexibility in diversifying revenue streams, dealing with crushing pension obligations and other legacy costs, and strengthening cities' hands in collective bargaining.

Locally, we will continue to look for further shared service opportunities with other governmental entities to reduce the duplication of services paid by taxpayers in the Greater Reading region.

I am looking forward to a productive and cooperative effort with Council to produce a final budget for 2012 that supports our key strategic initiatives and puts the City of Reading on a more steadfast footing of financial recovery.